



THE CITY OF SAN DIEGO
MANAGER'S REPORT

DATE ISSUED: March 26, 2003 REPORT NO.

ATTENTION: Land Use and Housing Committee
Docket of April 2, 2003

SUBJECT: AFFORDABLE/IN-FILL HOUSING EXPEDITE PROGRAM
IMPLEMENTATION

REFERENCE: Council Policy 600-27; Manager's Report No. 02-085, Affordable/In-fill
Housing Expedite Program; Manager's Report No. 03-040, Development
Services Department Fee Proposal.

SUMMARY

Issues - Should the Committee on Land Use and Housing (LU&H) recommend City Council approval of the Affordable/In-Fill Housing Expedite Program, which includes amendments to Council Policy 600-27 and the Municipal Code?

Staff's Recommendation:

1. Recommend that the City Council adopt amendments to Council Policy 600-27 in order to implement the new Affordable/In-fill Housing Expedite Program; and
2. Recommend that the City Council adopt an amendment to the Municipal Code to grant staff the authority to expire discretionary permit applications after 90-days of inactivity; and
3. Recommend that the City Council adopt an amendment to the Municipal Code to allow deviations from development regulations as an additional incentive for affordable/in-fill housing projects.

Other Recommendations - The draft policy and code amendments have been or will be presented to a variety of committees for review and formal recommendation - please see Attachment 1.

Environmental Impact - This activity is exempt from CEQA pursuant to State CEQA Guidelines Section 15061(b)(3).

Fiscal Impact - Implementation of the Affordable/In-fill Housing Expedite Program will require additional staff, which are included in the Development Services Department fee proposal, and which will be fully cost recoverable through permit fees.

Code Enforcement Impact - None with this action

Housing Impact Statement - Approval of these actions will result in substantial time savings in the permitting process for affordable/in-fill housing projects, which will translate into direct financial savings for affordable housing developers through reduced holding costs and interest payments.

BACKGROUND

On August 6, 2002 ("Housing Day"), the City Council took several actions relative to housing issues including declaring a housing state of emergency; directing staff to proceed with the creation of an inclusionary housing ordinance; approving the Comprehensive Affordable Housing Collaborative's recommendation to leverage redevelopment set-aside funds to create up to \$55 million in affordable housing financing (the Council authorized staff to release the Notice of Funding Availability on January 28, 2003); and approving the Affordable/In-fill Housing Expedite Program.

As part of the Affordable/In-fill Housing Expedite Program, the City Council directed the City Manager to implement various procedural changes necessary to expedite affordable/in-fill housing projects. These procedural changes included amendments to Council Policy 600-27 (The Affordable/In-fill Housing Expedite Program - See Attachment 2), an amendment to the Municipal Code to grant staff the authority to expire development permit applications due to inactivity (see Attachment 3), and an amendment to the Municipal Code to allow deviations from development regulations as an additional incentive for affordable/in-fill housing projects (see Attachment 4).

DISCUSSION

AMENDMENTS TO COUNCIL POLICY 600-27:

The proposed amendments to Council Policy 600-27 will establish the new Affordable/In-Fill Housing Expedite Program. This new program defines procedures for processing affordable housing projects, and contains the following three primary components:

- I. **Eligibility** - The Policy specifically defines those affordable/in-fill housing projects that qualify for expedited permit processing, including the following:
- A. Residential development projects where at least 10 percent of the units are set aside for households with an income at or below 65 percent area median income (AMI) for rental units and at or below 100 percent AMI for for-sale units as set forth in the City's Inclusionary Housing Ordinance.
 - B. Residential development projects sponsored by and/or receiving funding from the Comprehensive Affordable Housing Collaborative (The Redevelopment Division of the Community and Economic Development Department, Centre City Development Corporation, Southeastern Economic Development Corporation, and the San Diego Housing Commission) where at least 15 percent of the units are set aside for households with an income at or below 120 percent AMI, as determined by the San Diego Housing Commission.
 - C. Residential development projects underwritten to utilize Federal, State or Local funds and result in a regulatory agreement that restricts tenancy and rents at or below 60 percent AMI.
 - D. Urban In-fill housing development projects of 10 units or more within "Urbanized" areas of the City as defined in the Progress Guide and General Plan. These in-fill development projects are eligible for expedited processing under this policy provided that all of the dwelling units are affordable to households earning no more than 150 percent AMI for both rental and for-sale (first ownership cycle only) units. In-fill housing development projects need to provide a larger number of affordable housing units than they replace.
 - E. Military housing.
 - F. New residential, commercial, and industrial development projects which meet the "sustainable buildings" definition under City Council Policy 900-14.
 - G. Mixed-use development projects or development projects that combine residential with other land uses where at least 50 percent of the gross floor area of the entire project site is dedicated to residential dwelling units affordable as described in A, B, and/or C above.

Projects that elect to pay In-Lieu fees to satisfy the affordable housing requirements are not eligible for expedited permit processing under this policy (except for D above).

- II. Process** - The policy establishes new expedited permit procedures designed to process affordable/in-fill housing projects twice as fast as the current system allows. In summary, the Policy requires a more aggressive processing timeline by providing mandatory preliminary review meetings for early staff feedback, significantly reducing project review cycles, funding the environmental initial study at preliminary review, and scheduling public hearings after the third review cycle and upon completion of the environmental document. Implementation of this expedited permit process will require additional staff positions and permit fees which are proposed as part of the Development Services Department's Fee Proposal. The ability of staff to process these projects within the reduced time frames is dependent upon adoption of the Department's Fee Proposal.
- III. Carrying Capacity** - A key component to the success of this program will be implementing the “carrying-capacity” of the expedite program in order to maintain efficiency and effectiveness within established time lines. During those periods when workload exceeds the carrying capacity of the expedite program, expedited project processing (both discretionary and ministerial) will be provided based on the following priority list:
- Priority 1: City of Villages Pilot Projects selected by the City Council that provide affordable housing as defined in the eligibility section of the Policy.
- Priority 2: Residential development projects that set aside the highest percentage of units affordable to households at the lowest income levels. For example, a project that provides 100 percent Very-Low Income affordable housing units has a higher priority than a project that sets aside 10 percent of the units affordable to Moderate Income households.
- Priority 3: Residential development projects that qualify for the 9 percent tax credit and residential development projects qualifying for multifamily revenue bonds.
- Priority 4: Residential development projects sponsored by and/or receiving funding from the Comprehensive Affordable Housing Collaborative (The Redevelopment Division of the Community and Economic Development Department, Centre City Development Corporation, Southeastern Economic Development Corporation, and the San Diego Housing Commission) where at least 15 percent of the units are set aside for households with an income at or below 120 percent AMI.
- Priority 5: Residential development projects where at least 10 percent of the units on-site are set aside at no more than 65 percent AMI for rental units and at no more than 100

percent AMI for for-sale units as set forth in the City's Inclusionary Housing Ordinance. Military housing.

- Priority 6: Residential development projects where at least 10 percent of the units off-site are set aside at no more than 65 percent AMI for rental units and at no more than 100 percent AMI for for-sale units as set forth in the City's Inclusionary Housing Ordinance.
- Priority 7: Urban In-fill housing projects of 10 units or more as defined in the Policy.
- Priority 8: Military Housing.
- Priority 9: New residential, commercial, and industrial projects which meet the "sustainable buildings" definition under City Council Policy 900-14. Residential projects that qualify as both "Affordable Housing" and "Sustainable Building" projects will be provided with a shared Priority 4 status.

The Affordable/In-Fill Housing expedite program will be implemented by a specialized staff team (these additional staff positions are proposed as part of the Department's Fee Proposal) who will primarily process discretionary land development projects. Expedited permit processing for ministerial building permits and engineering approvals will be an option available to developers through the express plan check service.

EXPIRING PERMIT APPLICATIONS DUE TO INACTIVITY:

During the August 6, 2002 ("Housing Day") City Council Hearing, staff presented a number of actions that would facilitate expediting the processing of affordable/in-fill housing projects. One of those actions recommended by staff and endorsed by the Council included providing staff with the authority to expire permit applications due to inactivity. This would allow the Development Services Department to better manage workload and avoid projects being submitted in an attempt to circumvent changes to land development regulations.

Although staff's original recommendation included expiring applications due to inactivity after 180 calendar days, the current recommendation is to expire applications after 90 calendar days of inactivity. Council approval of this proposal would simply provide the authority to expire permit applications when warranted. The primary intent of this proposal is to only expire those inactive applications where an applicant cannot demonstrate compelling evidence or willingness to continue processing.

ALLOWING DEVIATIONS FOR AFFORDABLE/IN-FILL HOUSING PROJECTS:

Another expedite action discussed and endorsed during Housing Day included amending the Municipal Code to allow deviations from the Code's development regulations, including those

development regulations contained within Planned District Ordinances. Often, affordable/in-fill housing projects are either delayed or made infeasible because of their inability to meet the often strict and detailed development regulations of the Municipal Code. Detailed planned district ordinance, engineering, and zoning regulations combine to limit particular design solutions that would make these types of projects both practicable and desirable.

The proposed Municipal Code amendments would provide a process alternative to use when affordable/in-fill housing projects run into these types of obstacles. Applicants for these projects would still be required to meet all of the required development regulations, however City staff would have the authority to recommend approval of the project with deviations provided certain findings can be made.

San Diego Municipal Code Section 143.0750 currently allows deviations from applicable development regulations as an additional incentive for affordable housing density bonus projects through a Site Development Permit process. This new proposal includes granting the same incentive for affordable/in-fill housing projects provided the following findings can be met:

1. The proposed development will materially assist in accomplishing the goal of providing affordable housing opportunities in economically balanced communities throughout the City;
2. The development will not be inconsistent with the purpose of the underlying zone;
3. The deviation is necessary to make it economically feasible for the applicant to develop an affordable/in-fill housing project.

This Municipal Code amendment would require a Site Development Permit (Process 4) for projects seeking deviations. Affordable/in-fill housing developers would benefit from these changes by their ability to design a feasible project, and staff's authority to recommend approval of needed deviations. The community would benefit because the deviation process provides the opportunity for full community review and input through the Process 4 Planning Commission decision process.

Included within the August 6 Manager's Report (No. 02-181) was an alternative proposal to allow residential developers to comply with, and community planning groups to use as review criteria, a set of performance standards rather than specific regulations. The report included examples of the types of performance-based design standards both staff and community planning groups could use as guidelines for residential projects. It is proposed that these standards be incorporated into the Community Orientation Workshop (COW) process for community planning group members, and included within the Development Review Process handbook that is distributed to all COW participants.

CONCLUSION

The affordable/in-fill housing expedite program is just one important component part of a comprehensive package to address affordable housing issues in San Diego. Numerous other programs, policies, and efforts are currently underway (i.e., inclusionary housing ordinance; Affordable Housing Collaborative's NOFA; various Housing Commission and Redevelopment Agency assistance programs; Affordable Housing Task Force; FUA affordable housing requirements, etc.) to assist and encourage the development of affordable housing in San Diego.

The policy and code changes outlined in this report will simplify and streamline the review process for affordable/in-fill housing projects and provide incentives to the housing industry to produce a wider range of housing types that are more affordable in the City of San Diego. Ultimately, the time savings produced through this affordable/in-fill housing program will translate into direct financial savings for affordable/in-fill housing developers through reduced holding costs and interest payments.

Respectfully submitted,

Tina P. Christiansen, A.I.A.
Development Services Director

Approved: P. Lamont Ewell
Assistant City Manager

CHRISTIANSEN/MJW:

Note: Attachments 1, 3, 4 and 5 are not available in electronic format. A copy is available for review in the Office of the City Clerk.

Attachments: 1. List of various Committee presentations.
2. [Draft Council Policy 600-27.](#)
3. Draft Ordinance to expire permit applications due to inactivity.
4. Draft Ordinance to allow deviations for affordable/in-fill housing projects.
5. Existing Council Policy 600-27 in strike-out format.